

NCGA Economy Development Oversight

October 6 2011

Brent Lane, Director

UNC Center for Competitive Economies (C³E)

Key Points

- Deal with the economy we have
- NC economy is big and hard to affect
- You spend \$\$\$\$ on economic development
- Economic development “success” isn’t the same as economic success
- Overseeing economic development programs is not enough

The False Inevitability of Recovery



Deal with this Economy

$$\text{GDP} = C + I + G + (X - M)$$

C = Consumer spending (70%)

I = Investment (17%)

G = Government (20%)

X - M = Net Exports (-7%)

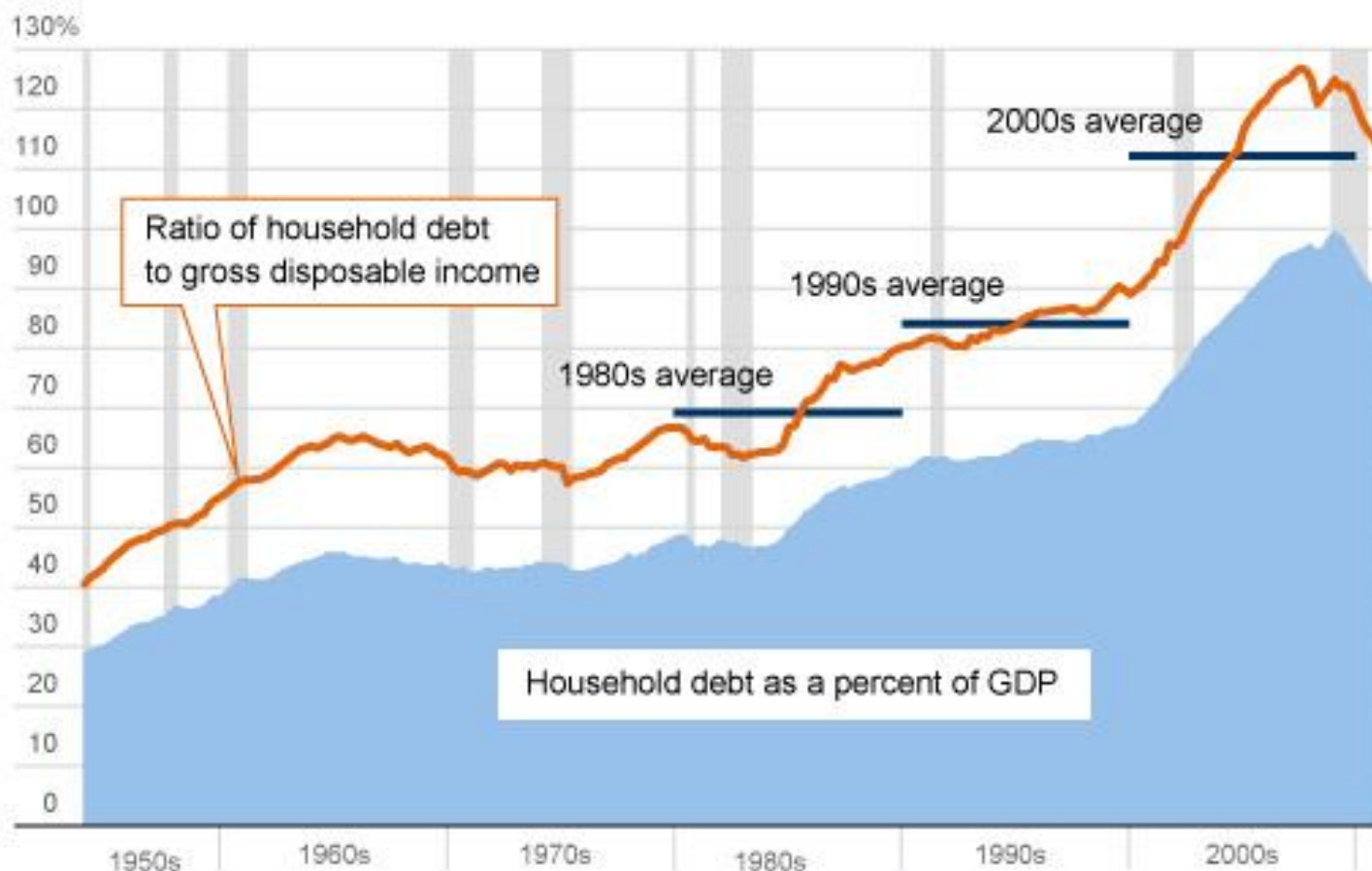
30 years of stimulus through debt

**Economic growth
depends on consumer
spending**

**Consumer spending
depends on economic
growth**



Household debt ratios lower, but still well above historical averages



Sources: Federal Reserve Board, Haver Analytics, as of 9/1/2011.

Household outstanding debt as a percent of seasonally-adjusted gross disposable income, at an annual rate. Recessions shaded gray.

NC's Economy is Big

- Population of 9.55 million (10th)
- Workforce of 4,500,000
- GSP of \$407 Billion (10th) >GA, MI, MA since 2003
- NC = 24th largest national economy



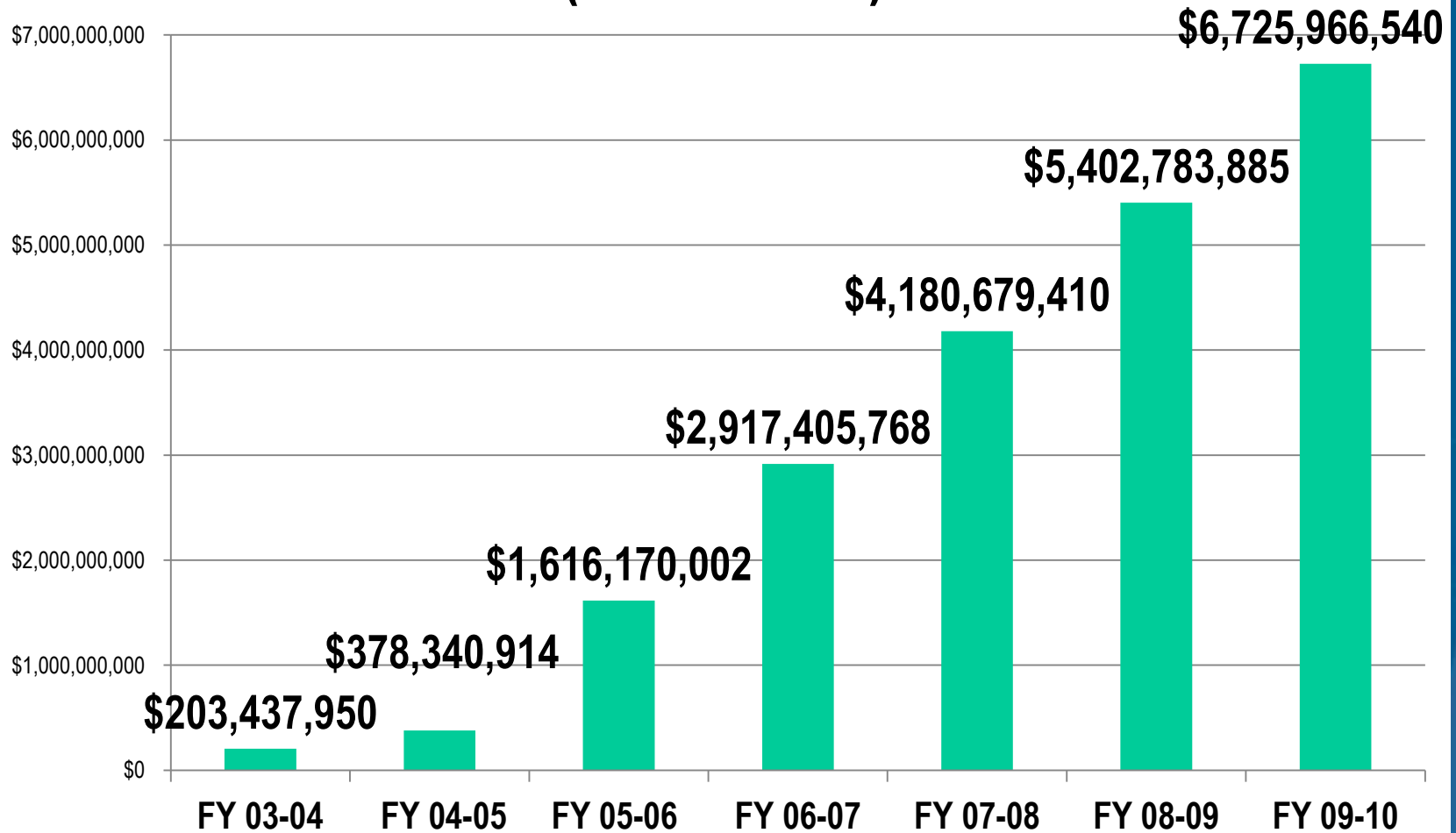
Big is hard to affect

NC Economic Development

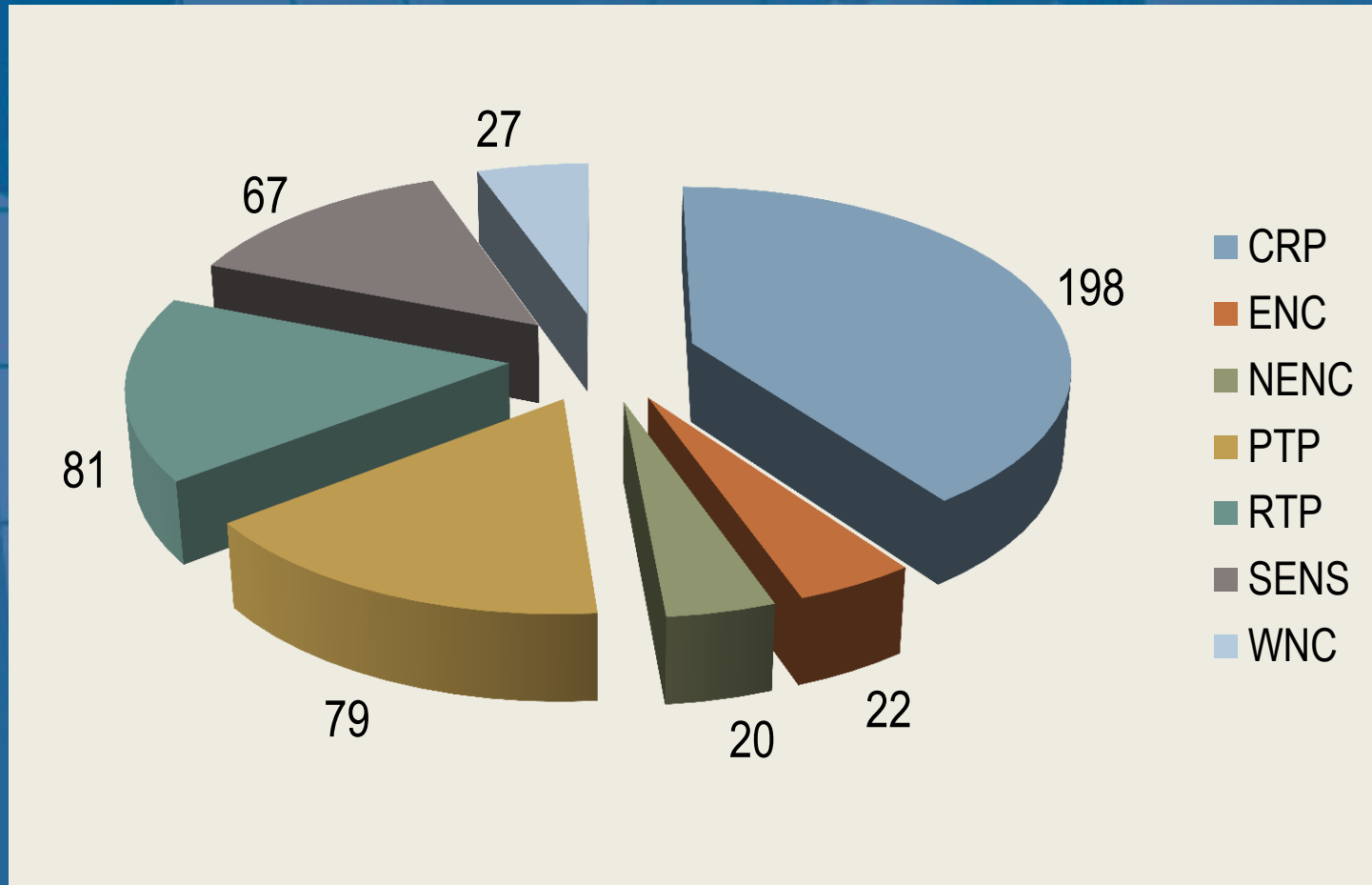
Our capacity to effect NC economy is limited

- NC has 500,000+ businesses
- Direct assistance possible to only a few thousand companies
- Targeted incentives to a few dozen firms
- Just 1% gain in employment requires creation of 45,000+ new jobs
- Even great success can be insufficient

NC Economic Development Spending (Cumulative)



NC New Industry Announcements 494 from Jan 2009 to June 2011



Chief Executive

No. 2 Best State for Business—by CEO's,
Chief Executive magazine, May 2011

THE BUSINESS JOURNALS

No. 2 Most Cost-Efficient for Manufacturing—
AIER study, *The Business Journals*, July 2011

No. 8 Venture Capital Investments—
The Business Journals, August 2011

ERNST & YOUNG

No. 2 Lowest State & Local Tax Burden on Business—
Council on State Taxation and Ernst & Young, July 2011



No. 3 America's Top States for Business—
CNBC survey, June 2011

SITE Selection

No. 1 Best Business Climate 9 of the last
10 years—*Site Selection* magazine
November 2010

No. 4 Most Competitive State—
Site Selection magazine, May 2011

No. 6 Most New Projects and Expansions
in 2010—*Site Selection* magazine, March 2011

THRIVE in NORTH CAROLINA

Forbes

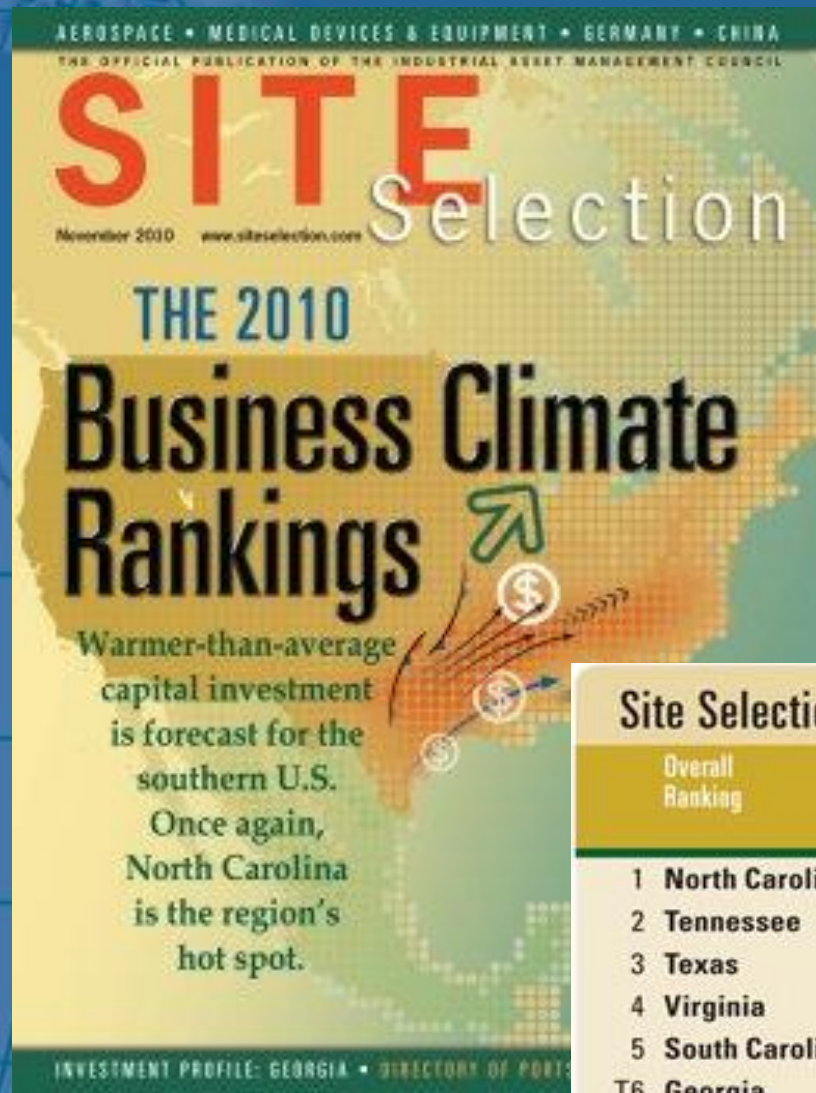
No. 1 City for Increase of Young Families: Raleigh—
Forbes magazine, June 2011

No. 2 Region for Overall Population Increase:
Research Triangle—*Forbes* magazine, June 2011

No. 2 Region for Increase of Educated Migrants:
Research Triangle—*Forbes* magazine, June 2011

No. 3 Highest Job Growth Over Past Two Decades:
Research Triangle—*Forbes* magazine, June 2011

No. 3 Best State for Business—
Forbes magazine, November 2010



North Carolina Ranked
“*Best Business Climate*”
9 of last 10 years
by *Site Selection*
magazine

Site Selection's 2010 Top State Business Climate Rankings

Overall Ranking	Executive Survey Rank	2009 New Plant Rank	New Plant Rank per Million Pop.	Competitiveness Rank	2010 New Plant Rank (Jan. – Aug.)	Final Total Points
1 North Carolina	1	7	10	6	2	379
2 Tennessee	4	5	2	4	10	371
3 Texas	2	2	21	3	9	365
4 Virginia	8	9	8	1	1	357
5 South Carolina	5	16	14	11	4	343
T6 Georgia	3	17	29	15	7	328
T6 Ohio	14	1	3	7	12	328
8 Indiana	11	10	5	7	14	326.5
9 Louisiana	7	15	11	2	27	326
10 Alabama	9	14	9	12	20	317

SITE Selection

COMING IN NOVEMBER 2011

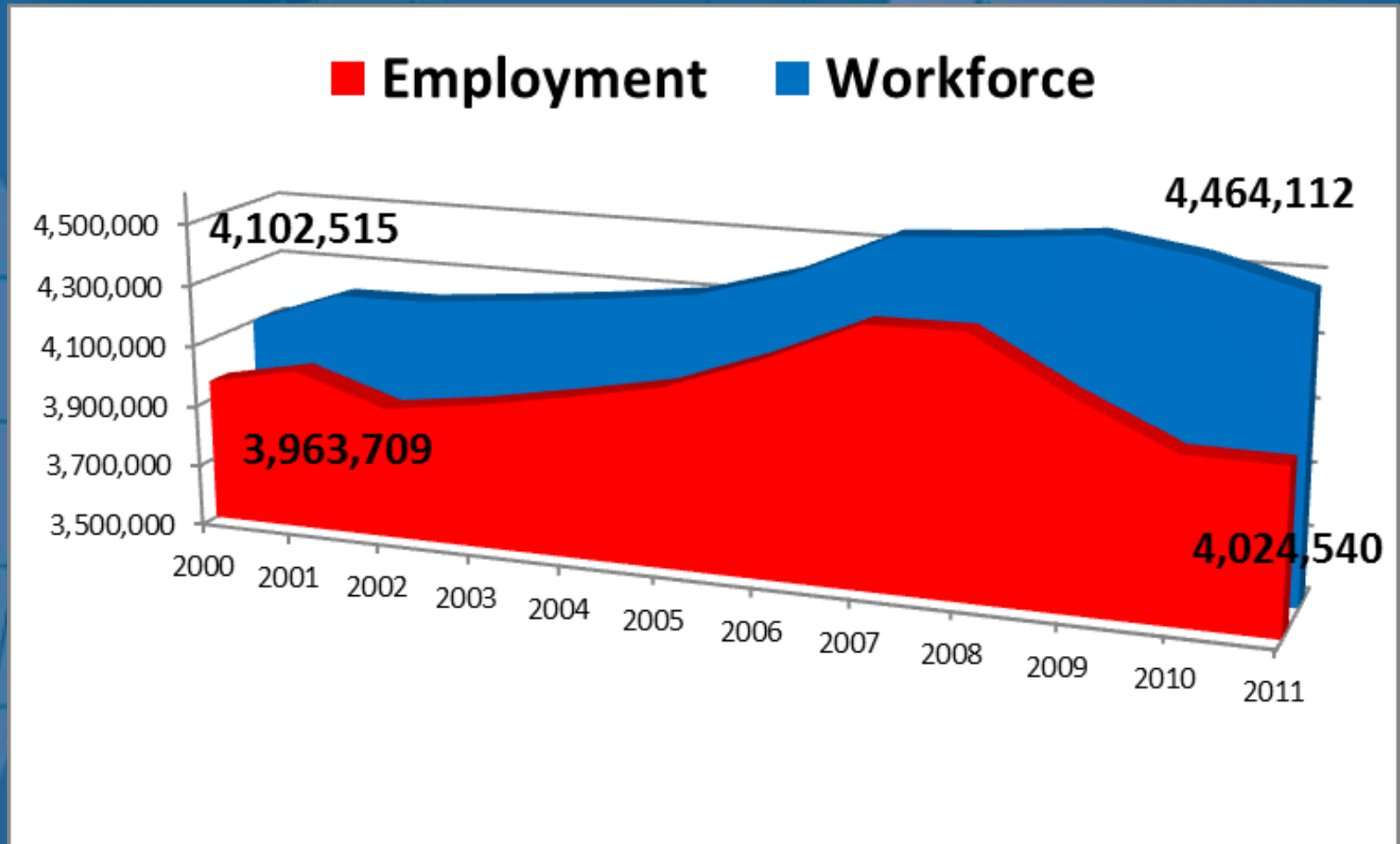
**Where Is the Best Climate
For Business?**

The Right Success?

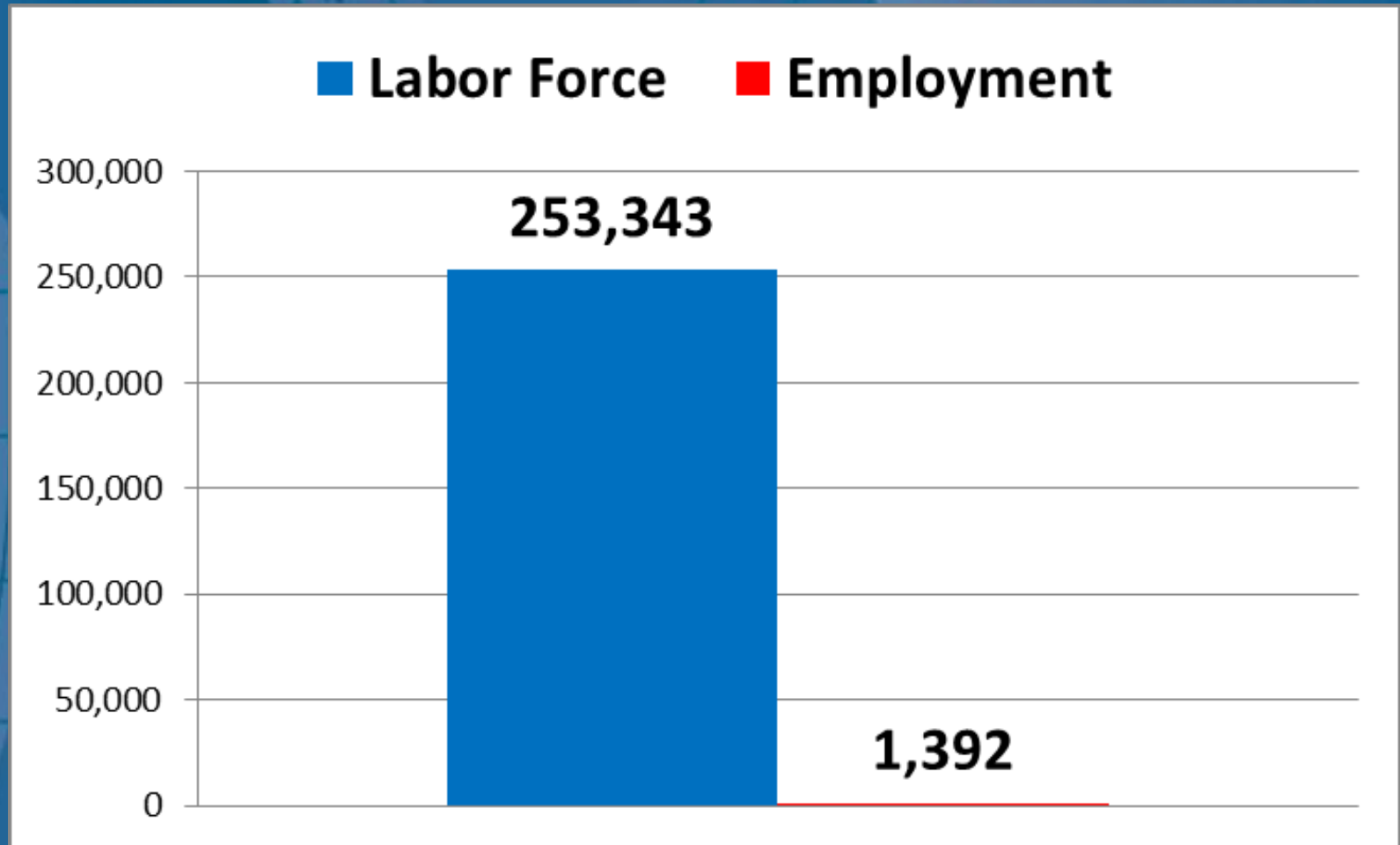
Despite the accolades of the last decade.....

- Job creation not keeping up with workforce
- Job growth, unemployment, poverty worse than US
- 45th in wage and income growth
- NC falling further behind US in per capita income

NC Performance 2000-2010

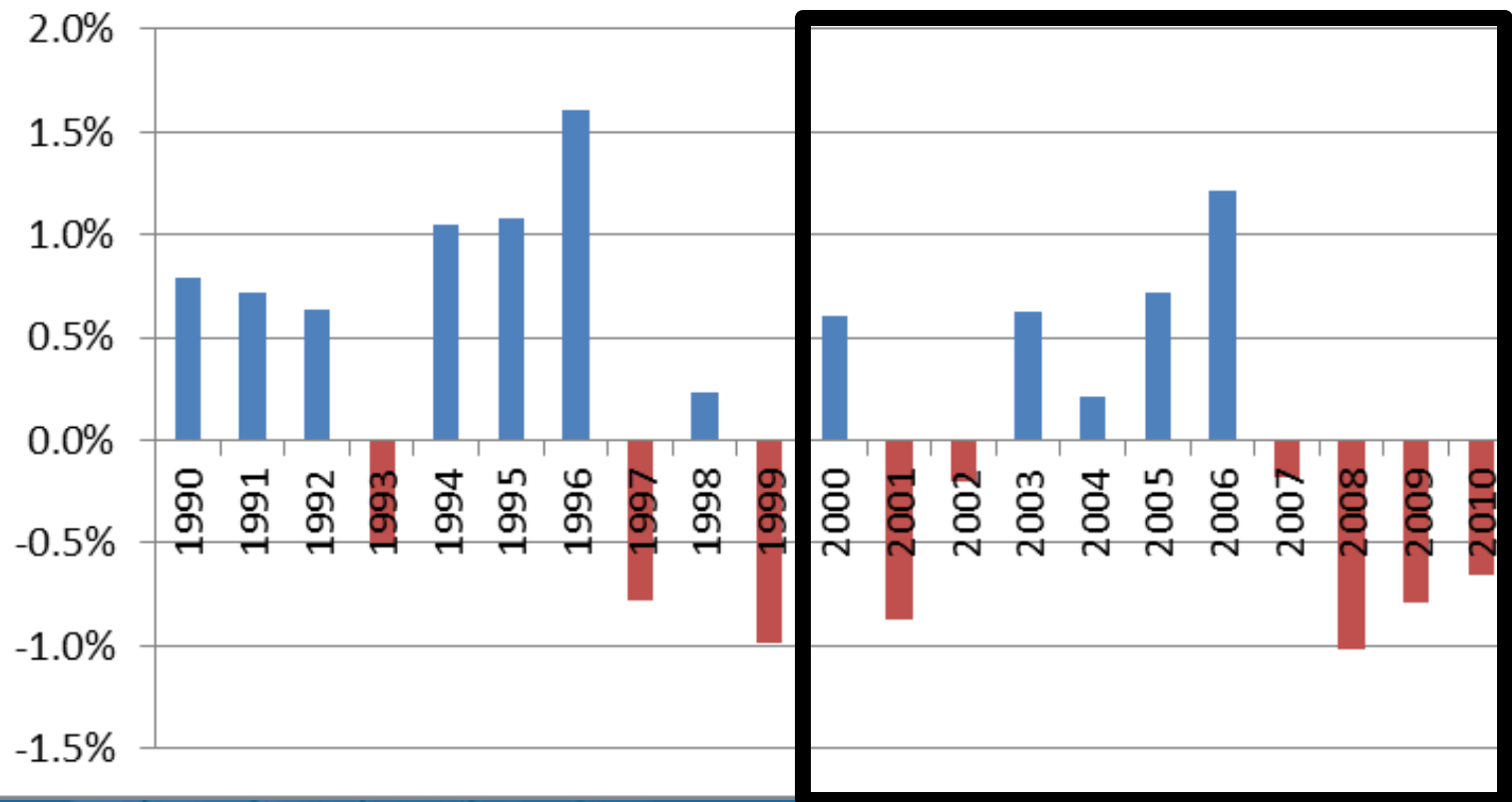


NC Performance 2000-2010

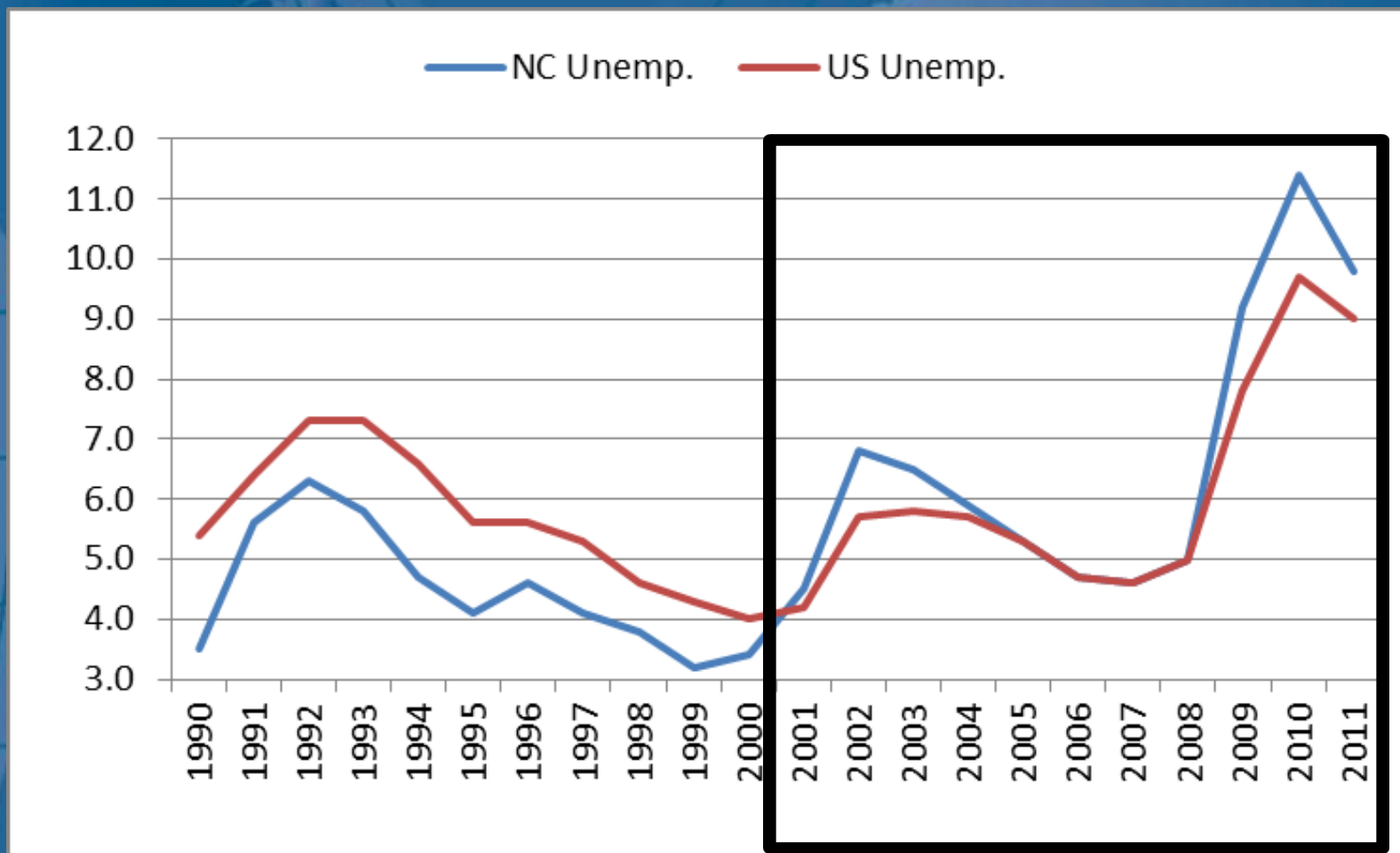


NC Performance 2000-2010

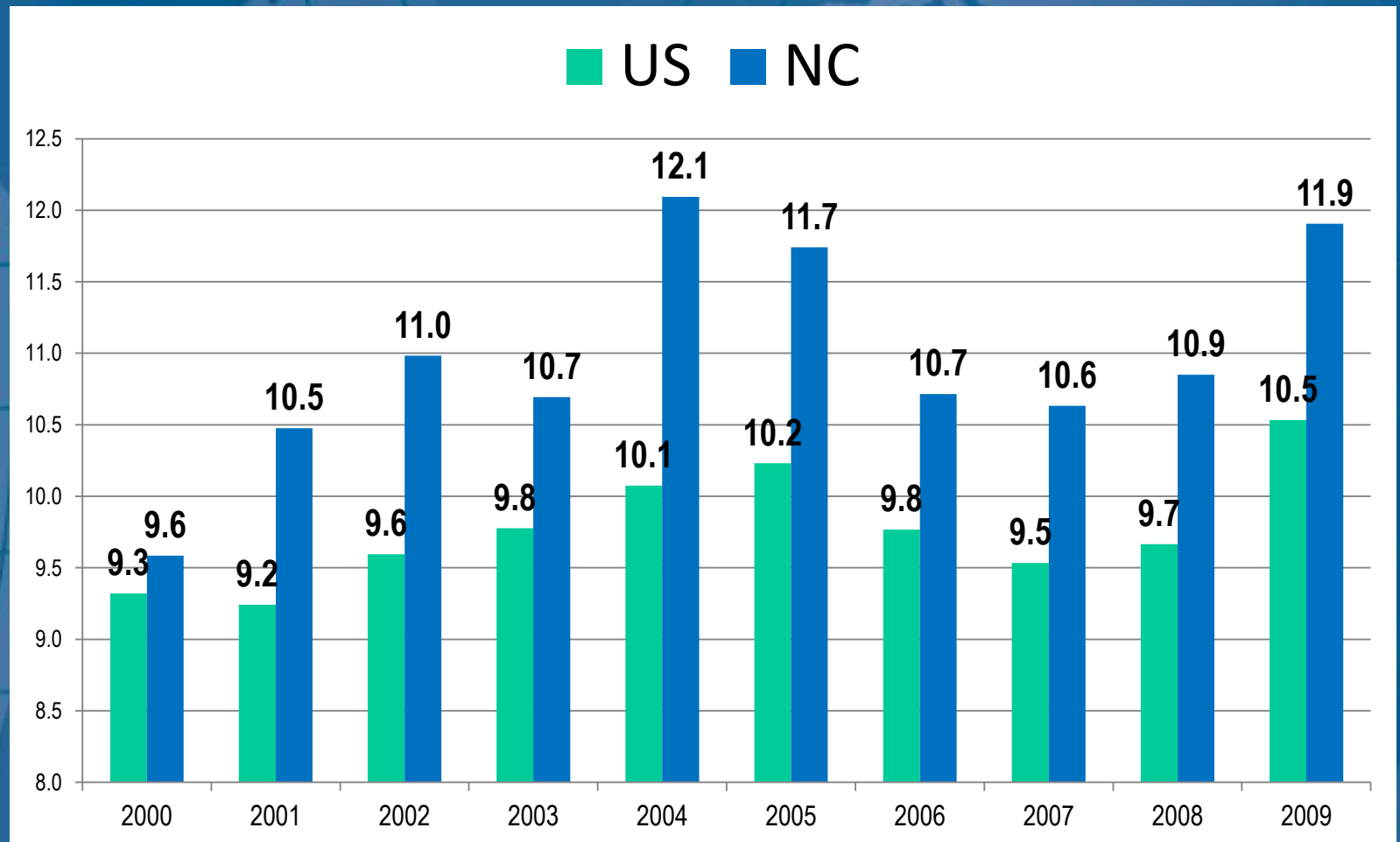
NC v. US Employment Growth



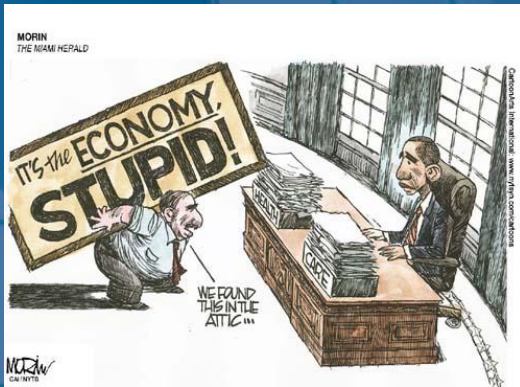
NC Performance 2000-2010



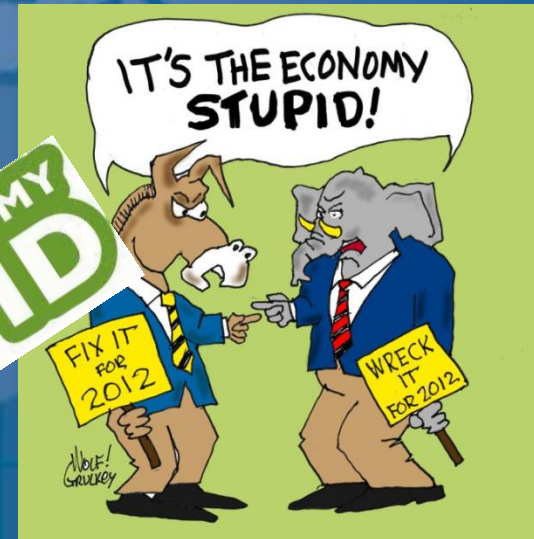
Families in Poverty



Is it *Really* the Economy?



IT'S THE ECONOMY
STUPID



It's The Economy, STUPID!



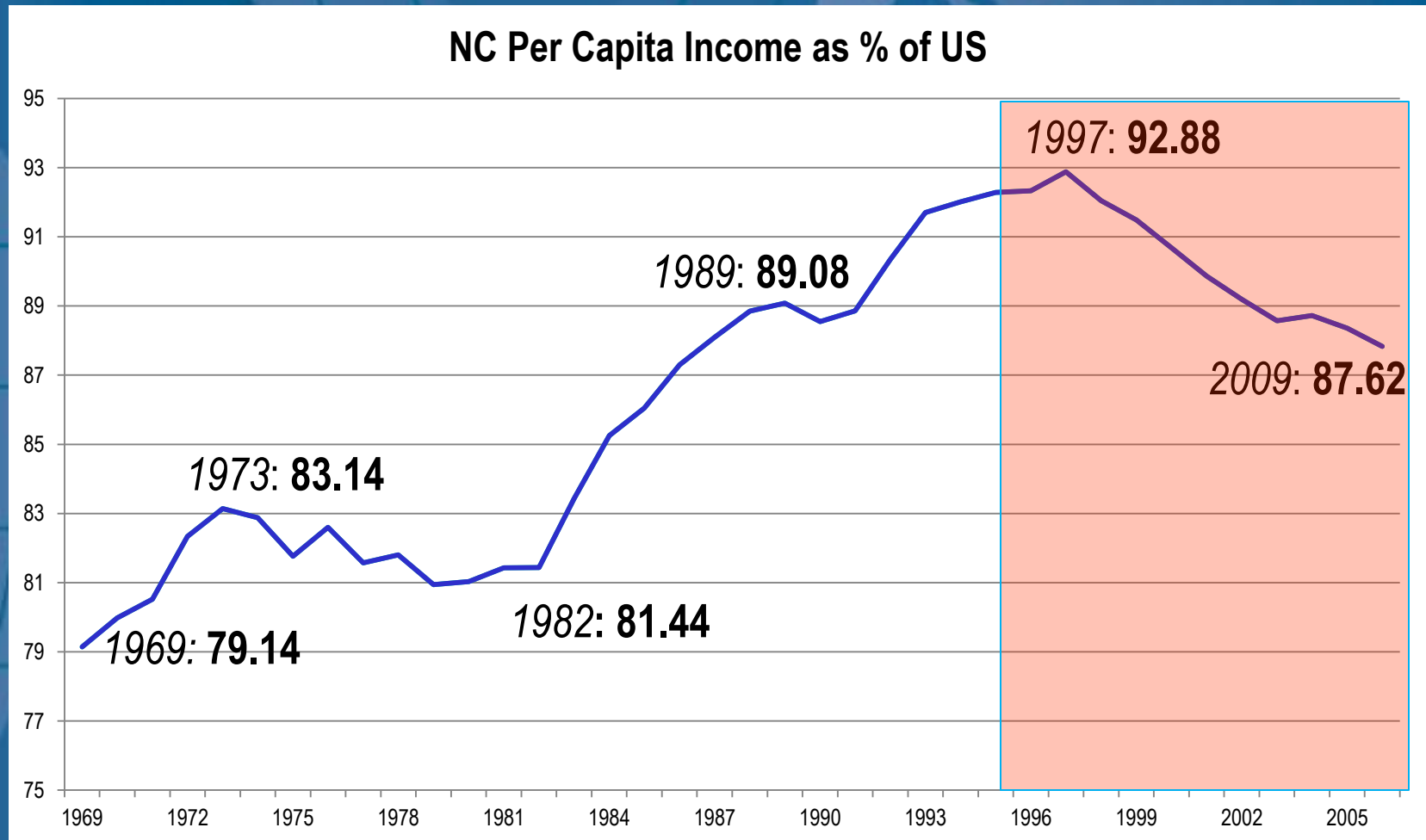
Oversight?



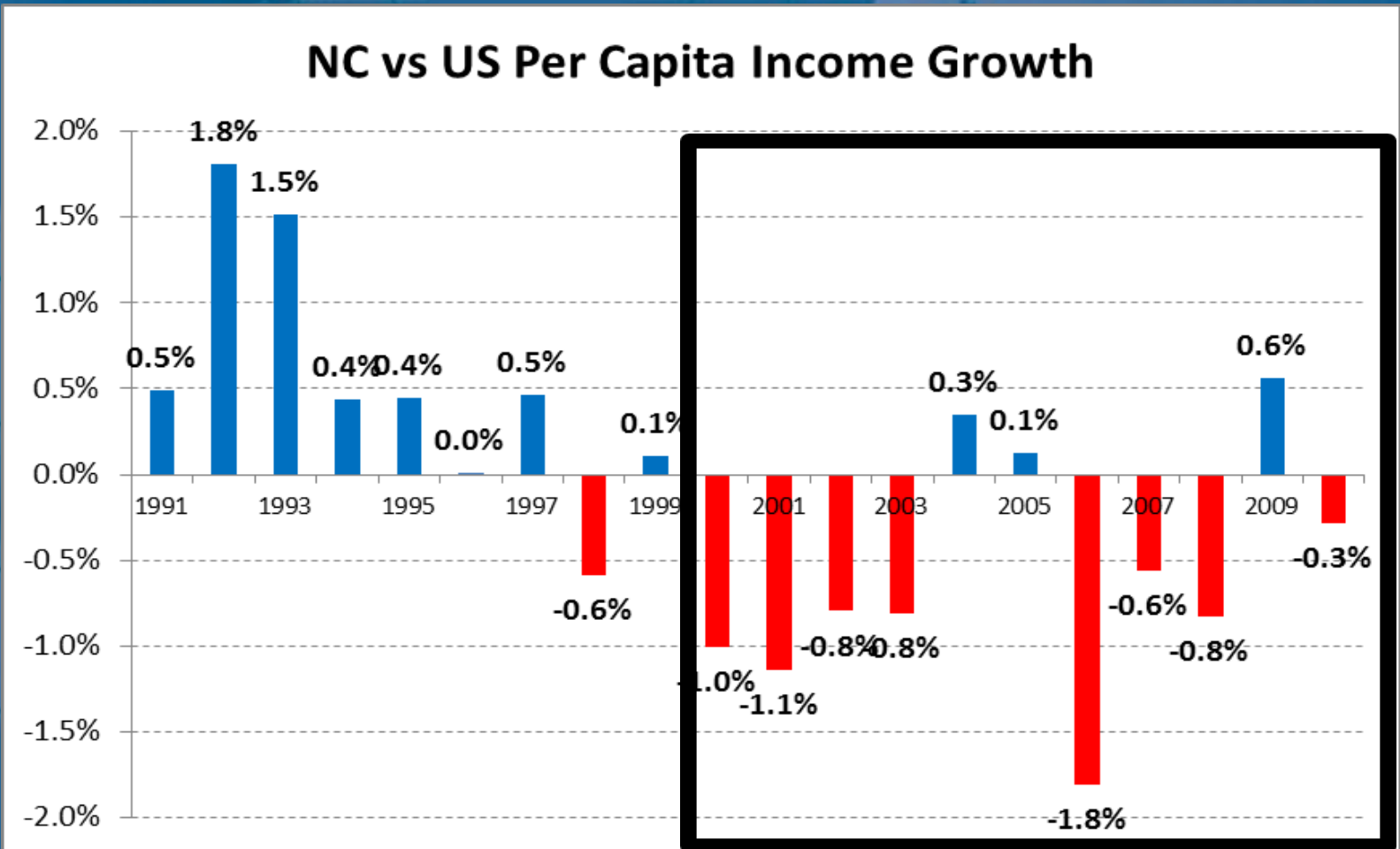
What is the goal of NC economic development and how should we keep score?

- GDP
- Stock market
- Economic development “announcements”
- State revenues surplus/deficit
- Unemployment %
- NC per capita income relative to US

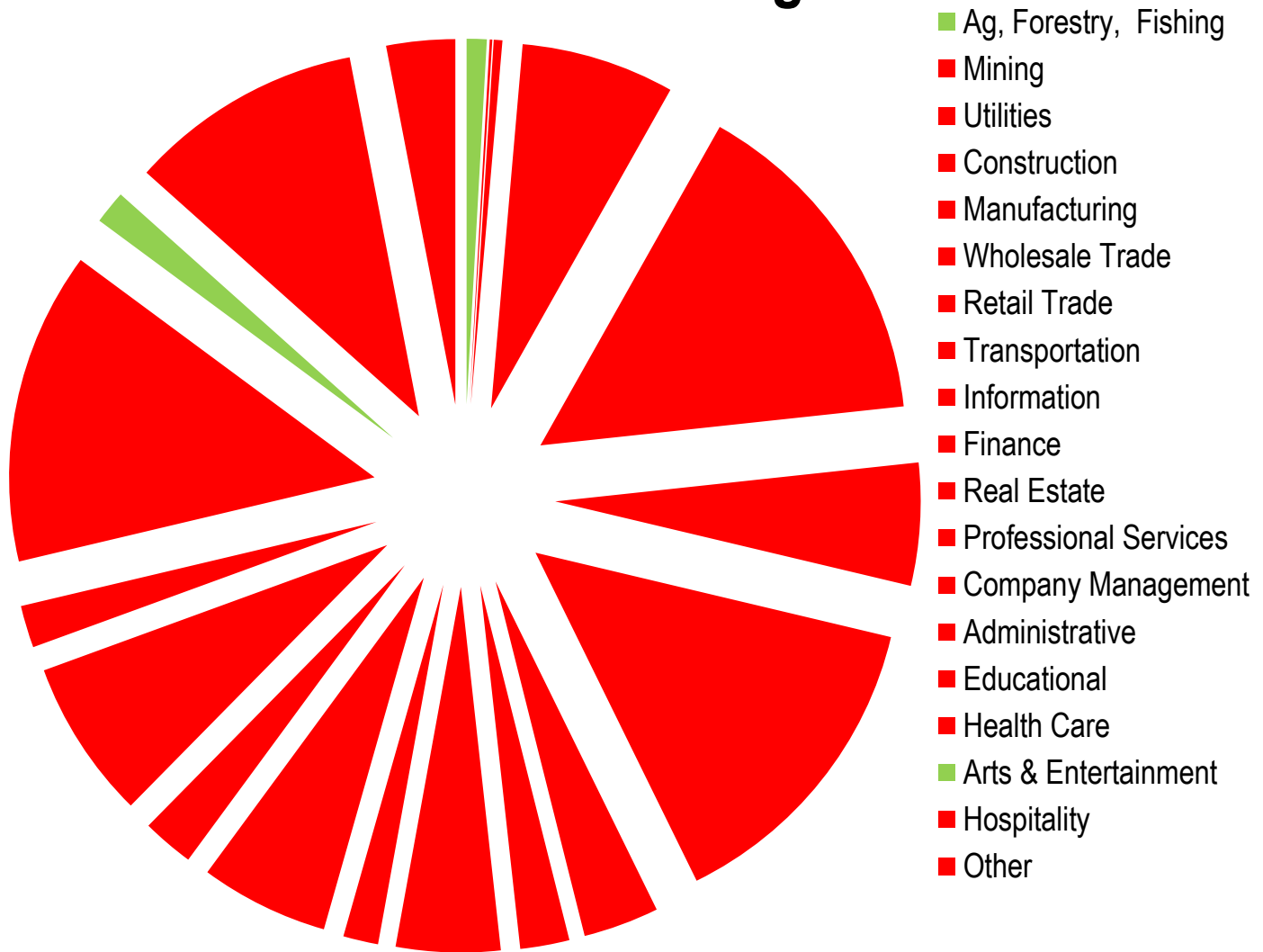
Success and Failure



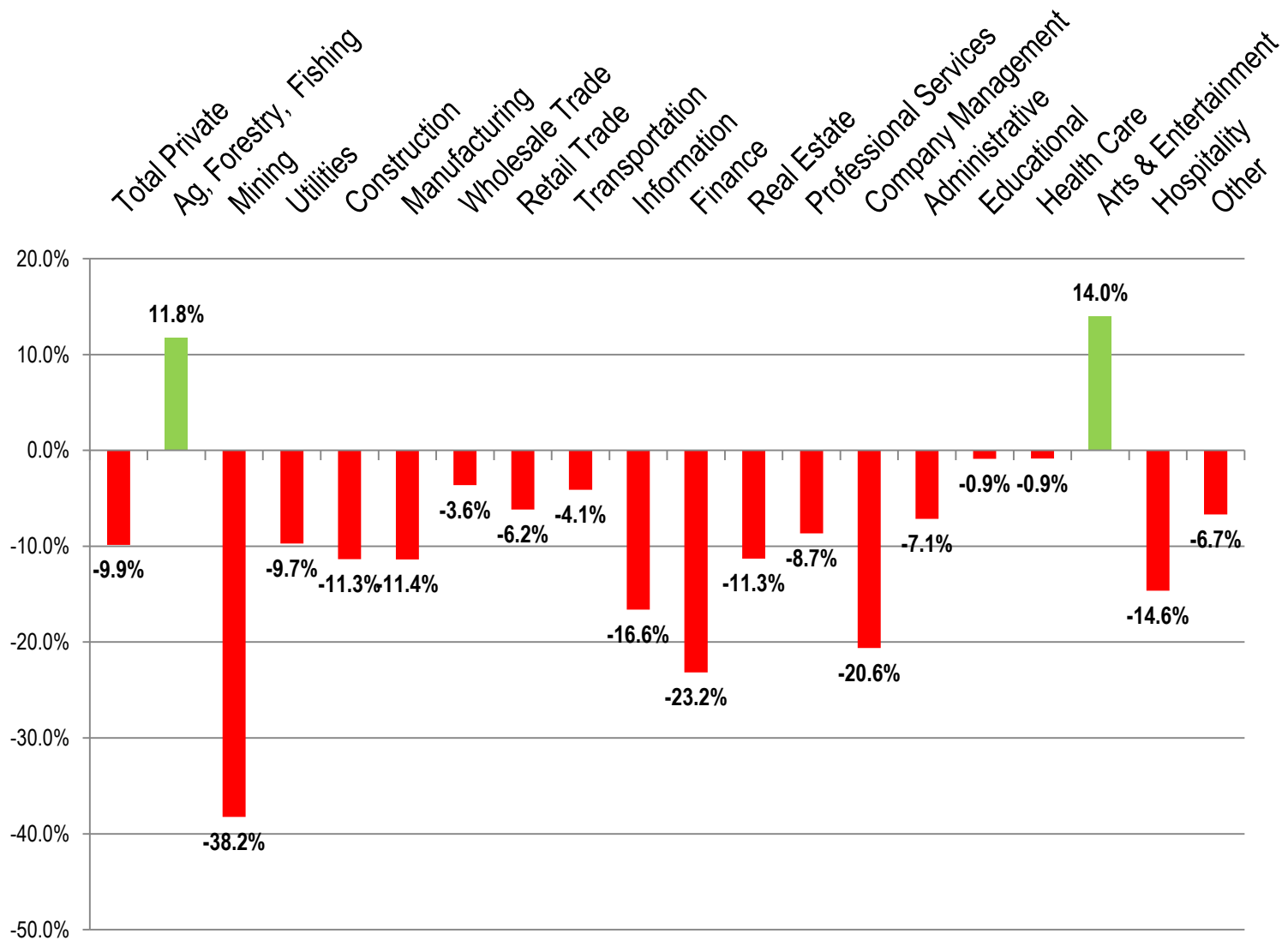
NC Performance 2000-2010



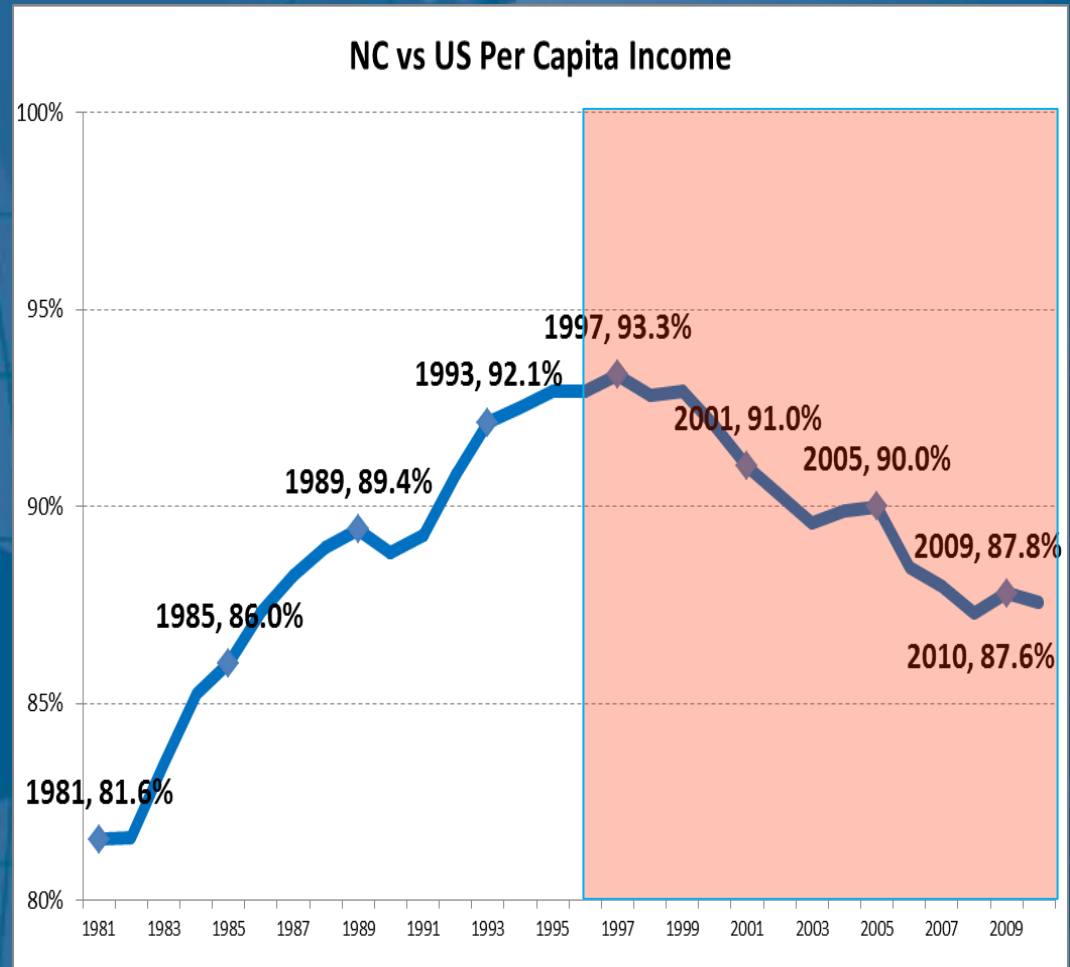
NC vs. US Wages



NC vs. US Wages by Industry



- NC Economic Development Board
- Regional ED Partnerships
- OneNC, JDIG
- Tax Credits
- Film Credits
- UI Reductions
- Global TransPark, RP Theater, NASCAR HoF, etc.....



50 Years' Progress at Risk

- NC per capita income grew from **79%** of US's in 1969 to more than **93%** of US's in 1997
- Since 1997 NC's per capita income has fallen to 87% of US, back to its 1986 level (25 years ago)
- On pace by 2020 to decline to 80% of US (1970)

It's the Income, Stupid!

Focus on actions and policies to increase income

- Tax code optimization
- Economic development focus on re-employment
- Jobs-based economic incentives
- High impact infrastructure investment
- Quality graduation rate gains
- Effective early childhood education

Legislative Oversight Function

Regular and informed assessment of NC economic goals achievement

- Define NC economic goals and measures
- Update state and regional economic data
- Align state policies and program missions with strategic economic objectives
- Assess economic goals progress
- Active legislative leadership and commitment

Oversight

